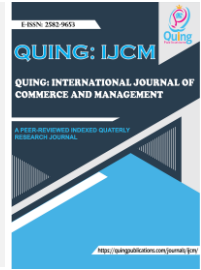




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Impacts of GST on Food Industry in Tiruchirappalli City

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ARTICLE INFO	ABSTRACT
<p>Received: 15-11-2021 Received in revised form: 23-12-2021 Accepted: 27-12-2021 Available online: 30-12-2021</p> <hr/> <p>Keywords: Commodity Tax; Consumers; Corporate Tax; Direct Tax; Food Industry; Goods and Sales Tax; GST; Income Tax; Indirect Tax; Meandering Tax; Straight Tax; Wealth Tax.</p>	<p>There are two sorts of taxes now being paid in India: a straight tax and a meandering tax. Income Tax, Wealth Tax, and Corporate Tax are all examples of direct taxes paid by the taxpayer to the government. As opposed to an income tax, an indirect tax is levied on the value of products and services. The food industry in India is the fastest growing and is subject to the GST tax regime. As a result of the changes made to the framework for tax collection, the food sector is suffering. The implementation of the Goods and Services Tax (GST) has caused considerable consternation in the food manufacturing and distribution industries. Several commodity tax methods, previously used by retailers to gain money, were combined under the notion of goods and services tax. The taxpayer's burden will be reduced because of this reorganisation. The tax system will be transformed into a single entity throughout all states under the GST, and the tax structure will also be standardised. There were several high-cost levies imposed on the food industry under a prior tax-collecting regime. Value-added tax, service tax, and added service taxes were formerly added to food restaurant bills, however, under the GST, all these additional and unnecessary costs have been eliminated. The article aims to examine the impact of GST on food pricing and consumption demand among food consumers in Tiruchirappalli city.</p>

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1.0 INTRODUCTION

Food is a necessary component of our daily life. The production of food is essential to any nation's economy. The food business has a considerable impact on the amount of food that is available for the individual to consume. It has a significant impact on a country's economic development. Economically, it is a very active sector in our global ([Sadiku et al., 2019](#)).

All goods and services supplied for domestic use are subject to the Goods and Services Tax (GST). Consumers pay the GST, which is then remitted to the government by the companies that sell the goods and services. To put it another way, GST generates income for the federal government.

Before the introduction of the Goods and Services Tax (GST) in India, a variety of indirect taxes were in force. In India, there were several taxes like sales tax, service tax, production tax, custom

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us tax, MOVAT, and VAT was charged on the product's manufacturing and distribution. As a result of Prime Minister Narendra Modi's leadership, the Indian government has chosen to impose a single national tax on all goods and services. This new unified commodity and service tax is referred to as the Goods and Services Tax (GST). After the GST law was enacted by India's Parliament at midnight of 1st July 2017, it took effect. GST slab rates of 0%, 5%, 12%, 18%, and 28% have been established (Sukhija, 2017).

1.1 GST in Food

All essential items, fresh foods like vegetables, fruits, milk, butter, meat, chicken, fish, etc., came under 0% of GST. The other commodities and services were levied at higher GST rates. Processed food products such as instant food, packed food, frozen food, tinned food, fast food, and food sold in all types of restaurants were brought under 12-18% of GST, during the initial month of GST. Later on, GST on food sold in restaurants was reduced from 12-18% to 5%. (Kannammal and Suvakkin, 2019).

1.2 Food Industry in India

The food industry is one of the most rapidly expanding industries in the world today. There has been a rise in the number of nuclear families and disposable income as well as an increase in urban living style and globalisation. Due to shifting consumer behaviours and demographics, the Indian food industry is expected to increase at an 18 percent compound annual growth rate (CAGR) by 2020. By 2022, India's food industry is projected to be worth US\$27.57 billion. Approximately 45% of India's total food market is vegetarian. The organised Indian fast-food sector's market for casual dining restaurants (CDRs) is predicted to develop at a CAGR of 27% by 2021-2022. The organised fast-food industry in India's Quick Service Restaurants (QSRs) market is expected to develop by 20 percent CAGR by 2021-2022. At the city level, a significant portion of food and fast-food restaurants are concentrated in metropolitan and sub-metropolitan areas, owing to increased consumption, increased consumer awareness, and exposure in important cities like as Delhi, Mumbai, Bangalore, Hyderabad, Coimbatore, Chennai, Madurai, and Tiruchirappalli (Gupla, 2020).

Tiruchirappalli is one of the fast-developing cities in Tamil Nadu. It has been ranked 13th among the cleanest cities in India. On the other hand, the growth of food and fast-food outlets. Food and fast-food restaurants provided many food varieties. There are 243 registered food and fast-food restaurants in Tiruchirappalli City (Kannammal and Suvakkin, 2019).

1.3 Review of Related Studies

Ali (2017) studied that in the Food and fast-food industry, as no ITC is approved, any Good and Service Tax paid is a cost, which would manipulate restaurants to keep away from incurring such charges, attracting high levied. The study concludes that the only way to encourage the use of technology and to incentivise restaurants to use offline and online delivery partners is by reducing the GST rate, which would help to the extension of this new planned.

Thornton (2018) studied that the "food and fast-food industry in Mumbai and Bangalore feels the impact of Goods and Services Tax (GST) has been for the most part optimistic, but lack of clarity on regulations remains a major problem, according to a review. The study observed that 70 percent of the restaurant proprietor in the two cities believed GST is a positive result for the business".

1.4 Statement of the Problem

After the implementation of the GST on different goods, there were both positive and negative results hit the government. But in the food outlets a vivid growth has been seen by the companies. This rapid growth is taking place despite a rise in food prices, and it does not affect the consumption level at any risk.

1.5 Objectives of the Study

- To study the effects of GST after its implementation in the food outlets.
- To study the consumption rate of food items after the implementation of GST.

2.0 METHODOLOGY OF THE STUDY

For this study, 100 consumers were randomly chosen from Hakim biriyani (40) respondents and SVR restaurants (60) in Tiruchirappalli metropolitan city. They were interviewed with the help of the questionnaire. To validate the present price of food items and the old price of food items. The restaurant salesmen were also interviewed to find out the changes in the prices of food items after GST. This study includes both primary and secondary data to arrive at its results.

3.0 RESULT AND DISCUSSION

The analysis reveals that out of 100 respondents, 72 were male and 28 were female, who regularly come to a food outlet. Around 66.3 percent of them fell in the 26-36 years age group, 78.0 percent of consumers are coming from a nuclear family. While analysing the choice of food outlets among regular consumers it has been identified that 60.0 percent of consumers preferred SVR restaurants in Tiruchirappalli city.

To indicate the changes in the prices after GST one item each from the two selected food restaurants (See Table 1).

Table 1 – Food Prices of before GST and after GST of Foodstuff Outlets in Tiruchirappalli City

Food Outlets	Dish	Product price including (VAT 14.5% + Service tax 10%)	Product price including GST Initial stage of 18%)	Product price including GST Current stage of 5%)	Price variation of before and after the GST
Hakim Biryani	Ultimate meal box with chicken	180	238	210	30
SVR	Ultimate chicken Biryani	140	180	160	20

Source: Compiled from Primary data

Table 1 depicts that, Hakim Biryani outlet charged Rs 180 for one ultimate meal box with chicken before the implementation of GST, and the initial stage of the implementation of GST charged ₹238 and the price difference after implementation of GST came to ₹30. At the same time, SVR Charged ₹140 for the ultimate meal box with chicken before the implementation of GST and at the initial stage of the implementation of GST, it charged ₹180. However, now it charges ₹160. the price change came down from ₹40 at the initial stage to ₹20 as of now.

The number of customers who visited the selected foodstuff outlets was calculated by taking the average number (per day) as given by the managers of the outlets. The results showed that though initially there was a reduction in the number of customers after GST, currently the number of customers has been found increased (See Table 2).

Table 2 – Customer turnout before and after GST of Selected Food Outlets in Tiruchirappalli City

Foodstuff outlets	Number of foodstuff customers before GST	Number of foodstuff customers at the initial stage of GST (18 %)	Number of food customers at the current stage of GST (5%)	Food Customers variation before and after the implementation of GST
Hakim Biryani	2933	2901	2961	28
SVR	3062	3060	3124	62

Source: Compiled from primary data

Another observation made during the study was that SVR and Hakim Biryani majority of the respondents preferred SVR to Hakim Biryani because it is a local foodstuff outlet where the variety of food and the price of food items attracted the local people. Similarly, Hakim Biryani provides the original taste of the food items, and naturally, the prices are relatively higher (See Table 2).

Table 3 – Classification based on Respondents' Opinion about Food Consumption after GST

Opinion of Consumers	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Price has increased after GST	2 (2%)	2 (2%)	4 (4%)	18 (18%)	74 (74%)
Rise in Price has affected my consumption	68 (68%)	16 (16%)	8 (8%)	6 (6%)	2 (2%)
The combo offers are more attraction than price rise	2 (2%)	4 (4%)	4 (4%)	14 (14%)	76 (76%)
I need food so price rise or combo offers don't influence	0 (0%)	0 (0%)	4 (4%)	12 (12%)	84 (84%)

Source: Compiled from primary data

Almost all the respondents agreed that the price of food items has increased after GST, but it has not reduced their level of food consumption due to the combo offers to a great extent (See Table 3).

4.0 FINDINGS

- Price of Hakim biryani and SVR food restaurants during VAT, other service taxes and after the GST rate of 18% in the initial stage was increased begin and GST with reducing to 5% prices increased.
- The consumption of SVR food products before the application of GST and after its levy shows no change in the status of consumer preference of foods because restaurant AC bill is not included in customers' bills.

- The consumption of Hakim Biryani food products before GST was high and after the GST rate of 18% in the initial stage consumption declined because Restaurants A/C billing charges were also included in customers' bills.

5.0 CONCLUSION

The food industry obtains higher revenue and growth rapidly after the implementation of GST. This study concludes that the impact after the implementation of GST in the food outlets and food consumers positively affected and contributed to the economy of the country.

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